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ELECTRONIC DELIVERY

Mr. Al Alvarado
California Energy Commission
1516 Ninth Street, MS-
Sacramento, CA 95814-5512

Re: PG&E's Comments on the Proposed Methodology To Estimate The Generation Resource Mix of California Electricity Imports

Dear Mr. Alvarado:

Pacific Gas and Electric Company (PG&E) respectfully submits the following comments on the CEC staff paper "Proposed Methodology To Estimate The Generation Resource Mix of California Electricity Imports," May 2006.

Thank you for considering our comments. Please feel free to call me at (415) 973-6463 if you have any questions about this matter.

Sincerely,

Les Guliasi

Attachment

PG&E's Comments on the Proposed Methodology to Estimate The Generation Resource Mix of California Electricity Imports

Pacific Gas and Electric Company (PG&E) thanks the California Energy Commission (CEC) for the opportunity to comment on the "Proposed Methodology to Estimate the Generation Resource Mix of California Electricity Imports." PG&E provides brief comments here and would like to submit supplemental comments, as necessary, after the June 7th workshop. In general, PG&E supports the methodology proposed in the report for the evaluation of statewide GHG. PG&E agrees with the report's conclusion that the averaging methodology used in the Energy Commission's Inventory of California Greenhouse Gas Emissions and Sinks (1990-2002) Update overstates the amount of out-of-state baseload generation being imported by California LSEs. This averaging methodology ignores the likelihood that electricity from low-cost, baseload, out-of-state power plants is primarily dispatched to serve corresponding native load. Because baseload resources such as coal have a higher GHG intensity than firm power imports or the short-term electric market's natural gas-fired and hydroelectric generation, the GHG intensity of California imports also has been overstated. PG&E agrees that quantifying the sources of firm power imports and estimating the resource mix of system purchases based on a marginal approach is more accurate than the current averaging methodology.

While PG&E supports the proposed methodological changes, it cautions against the application of the results of any methodology to all LSEs on a one-size-fits-all basis. The current GHG OIR proceeding R.06-04-009 at the California Public Utility Commission (CPUC) may draw on the CEC's work to quantify the contribution of imports under a GHG portfolio standard. The CEC and CPUC should coordinate to ensure that the adoption of any methodology for calculating the GHGs associated with these imports accurately reflects, to the extent possible, the actual import profile on an LSE by LSE basis. The sources of firm power and system purchases vary by region and therefore, so does the GHG profile of each LSE's imports.

PG&E acknowledges that such a calculation can be analytically challenging considering the somewhat limited amount of information available about imports. The CEC should consider seeking input from the California Climate Action Registry to ensure compatibility of the monitoring protocols.